

810-2-3-.03 Exclusion of Investment in Subsidiaries. **(REPEALED)**

The investments held by foreign corporations in operating subsidiaries not commercial domiciled in Alabama are not includable in the franchise tax base. Therefore, there shall be allowed as an exclusion the actual investment of the owning corporation in an operating subsidiary corporation doing business exclusively outside Alabama. The following tests must be met in order to qualify the investment in a subsidiary as an exclusion:

(a) The franchise tax return of a reporting corporation must contain only unconsolidated operational data.

(b) The investment in a subsidiary must be included in the balance sheet in all instances. Market value of stock in a subsidiary will not be allowed as a deduction.

(c) The reporting corporation must own at least 51% of each class of stock to qualify the investment as a exclusion.

(d) Loans of advances to a subsidiary corporation are not allowable as an exclusion or deduction.

(e) To qualify as a exclusion, the investment must be in an operating subsidiary corporation which is regularly engaged in normal and recognized business activities and not merely a dormant or holding corporation.

(f) The reporting corporation shall submit evidence at the time the return is filed to show that all the above tests have been met. The reporting corporation shall submit any additional information requested by the franchise tax division to support the claim for exclusion. The books and records of the reporting corporation and of each subsidiary claimed as an exclusion shall be made available for audit by authorized representatives at a mutually convenient time and place in the event that need of audit shall arise.

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Authority: Sections 40-2A-7(a)(5), 40-14-44 and 40-14-58, Code of Alabama 1975

History: Filed with LRS August 13, 1993.

Repeal of rule Withdrawn December 21, 1993.

Repeal filed with LRS March 17, 1995.

Certification filed with LRS May 17, 1995, effective date June 21, 1995. Repeal of regulation was suspended by the Joint Committee on Administrative Regulation Review on June 20, 1995. Suspension of repeal sustained by Act No. 96-124.